OLR RESEARCH REPORT

December 18, 2012 2012-R-0533

INCENTIVES FOR HIRING OR RETAINING RECENT COLLEGE GRADUATES

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You asked if any states offer tax credits or other incentives to hire or retain recent college graduates.

SUMMARY

Oklahoma appears to be the only state that offers tax credits for hiring recent college graduates, but limits them to aerospace businesses hiring those with undergraduate or graduate engineering degrees. Bills authorizing credits for hiring graduates with a broader range of degrees have recently been proposed in Minnesota, Rhode Island, and Virginia.

States, municipalities, and nonprofit organizations use other strategies to attract and retain recent college graduates. Maine offers tax credits to graduates who remain in the state and businesses that help them pay off their student loans. New Hampshire promotes businesses that help recently hired graduates pay off their loans. Kansas repays the student loans of college graduates that relocate to its rural counties. Connecticut's Learn Here, Live Here Program helps graduates save money toward a down payment on their first homes.

Chicago and Niagara Falls provide different types of financial subsidies. Chicago subsidizes the wages paid to students graduating from the city's community colleges, while Niagara Falls reimburses student loan payments for recent graduates who buy a home or rent an apartment in a specific neighborhood.

Pittsburgh and Dayton use nonfinancial tools to attract and retain college graduates. Pittsburgh markets its attractions to graduating students while Dayton's nonprofit Learn to Earn creates business internships to show students the career opportunities available in the city.

TAX CREDITS FOR HIRING COLLEGE GRADUATES

Oklahoma Aerospace Engineer Workforce Tax Credits

Only aerospace businesses hiring engineering graduates qualify for Oklahoma's five-year tax credit, which equals 10% of the wages paid to graduates from Oklahoma colleges or universities and 5% for those paid to graduates from out-of-state schools. The law caps the credit at $12,500 per employee and allows businesses to claim it only for hiring engineers who were not employed by another Oklahoma aerospace firm when they were hired (68 O.S. 2357.303).

The credit is part of a larger package designed to attract and retain aerospace engineers. An aerospace business hiring such engineers also qualifies for an additional credit if it reimburses their tuition costs within one year after hiring them. The credit equals half of the reimbursement cost, up to 50% of the average annual tuition for attending Oklahoma public colleges and universities (68 O.S. 2357.302).

Lastly, the newly hired engineers qualify for a maximum five-year, $5,000 per year personal income tax credit, which they can carry forward for up to five years (68 O.S. 2357.304).

Recent Proposals

At least three state legislatures have recently considered bills authorizing business tax credits for hiring recent college graduates, regardless of their academic major. In 2012, Minnesota's legislature considered but did not enact a bill authorizing a $3,000 tax credit for businesses that hire veterans, unemployed people, and recent college graduates in 2012 and a $1,500 credit for hiring members of these groups between January and June 2013 (HB 2277).

In 2011, the Rhode Island legislature considered a bill providing tax credits to businesses that help recently hired college graduates pay down their student loans. A business could claim the credits only for hiring people who graduated from the state's public colleges and universities and resided in Rhode Island before starting college. The bill also provided a maximum $8,400 personal income tax credit to these graduates (H 5487). (The bill was modeled on a similar Maine program described below.)

A Virginia legislator has recently filed a bill for the 2013 session that provides a $2,500 tax credit to small businesses that create new full-time jobs and hire Virginia public college and universities graduates to fill them (HB 1303).

OTHER HIRING INCENTIVES

State Programs

Some states and municipalities use other strategies to attract and retain college and university graduates.

Maine Educational Opportunity Tax Credit. Maine offers tax credits to college graduates who remain in the state after graduation and the businesses that hire them. Under the Educational Opportunity Act, students graduating with an associates or bachelor's degree from a Maine public or private college or university qualify for an income tax credit up to that year's average in-state tuition and fees for community colleges or the state university system, respectively (Me. Rev. Stat. 36 § 5217-D). They may carry forward unused credits for up to 10 years, but those with science, technology, engineering, or mathematics degrees may receive a refund for unused credits. Further, a business that hires these residents qualifies for a 100% credit for student loan payments made on their behalf.

Both credits are marketed by the nonprofit Opportunity Maine, which was formed in 2006 to promote "economic security and sustainable development with innovative investments in the education and skills of our workforce."

New Hampshire Stay Work Play Challenge Grant. While Maine uses personal income and business tax credits to retain recent college graduates, New Hampshire seeks to retain them by promoting its attractions and recognizing the businesses that hire recent graduates from the state's public and private colleges and universities. Spearheading this effort is the nonprofit Stay Work Play New Hampshire

(SWP NH), which was formed in 2009 by academic, business, and government representatives to implement the recommendations of *the Governor's Task Force on Recruitment and Retention of Young Workforce for New Hampshire.*

SWP NH showcases New Hampshire businesses that contribute at least $8,000 toward these employees' student loans and maintains a website that markets and promotes the state's cultural attractions, natural beauty, and job opportunities to young workers who might consider leaving the state.

Kansas's Rural Opportunity Zone Program. While Maine and New Hampshire seek to retain students graduating from their institutions, Kansas seeks to attract college graduates from around the nation by offering to pay 20% of their student loan balance, up to $15,000, over 5 years if they relocate to specific rural counties. (The program also offers five-year income tax waivers to people from other states who earn less than $10,000 a year if they relocate to these areas.)

Connecticut's Learn Here Live Here program seeks to retain students graduating from public and private colleges and universities in Connecticut by helping them save money toward a down payment on their first homes in Connecticut. It does so by segregating $2,500 per year of the participating graduates' income taxes for up to 10 years after graduation. Participants can receive the funds by applying to the economic and community development commissioner within 10 years after graduating.

Local Programs

Municipalities and local nonprofit organizations also seek to attract and retain recent college graduates. Our online search found at least three approaches: financial assistance, marketing and promotion, and strategic placement.

Financial Assistance Programs. Unlike the tax credit programs described above, the Chicago College to Careers program places community college students in Chicago businesses and subsidizes their wages for up to six months. The city launched the program in March 2012, with $2 million from Chicago's Department of Housing and Economic Development. A business qualifies for a wage subsidy if, among other things, it has job openings that traditionally were difficult for community college graduates to obtain; create full-time jobs that provide living wages and benefits; and retain the graduates for at least six months after receiving the subsidies.

Niagara Falls' Student Debt Relief Program aims to create jobs (rather than place graduates in existing jobs) by encouraging college graduates to reside in a distressed neighborhood. It provides $3,500 in student loan reimbursements for two years to graduates who buy a home or rent an apartment in that neighborhood. Concentrating college graduates in a small area, the city believes, will "foster entrepreneurial and economic opportunities and growth" (*Buffalo Rising*, August 9, 2012).

Marketing and Promotion: Pittsburgh. In April 2012, Pittsburgh's mayor announced a partnership with local colleges and universities to encourage graduating students to pursue their careers in the Pittsburgh area. The mayor emailed these students, touting the region's job opportunities, below average unemployment, affordable housing, and unique neighborhoods. He also included links to websites with information that could help them start their post college lives in the city.

The partnership is part of a broader effort to attract and retain young professionals, not just recent college graduates. That effort includes a mayoral commission focused on identifying and addressing the needs and concerns of young people and a youth policy office that informs students about city initiatives and services.

Strategic Placement: Dayton's Learn to Earn. Dayton, Ohio's nonprofit Learn to Earn promotes the region's career opportunities by lining up business internships for high school and college students. "I don't think we've got enough young people who are doing internships, so they can actually see the assets that are here," its executive director, Dr. Thomas Lasley stated.

Internships, he explained, help career-minded people see that it is easier to advance in a smaller city than a larger one. Those that stay or return help themselves and the city's neighborhood revitalization efforts. Many are attracted to the Dayton's historic neighborhoods with their relatively affordable housing costs (*Hi Velocity*, June 28, 2012).

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